



SOUTH AFRICAN AGRICULTURAL PROCESSORS ASSOCIATION

Registration No. 2005/011182/08 Association incorporated under Section 21

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Report on the activities of the South African Agricultural Processors Association 16 April 2007

1. INTRODUCTION

The South African Agricultural Processors Association (SAAPA) is now in existence for two years. Illovo and Rainbow Farms have since our last annual general meeting joined the membership of SAAPA. The Association has also been approached to act as an *ad hoc* advisor to the SA Wine Council on trade matters. SAAPA has come to be recognised by Government within these two years as a representative of the trade interests of the agri-processing industry in the broad sense.

This brief report aims to reflect the Board of Directors as well as the membership structure of the Association, the financial position of SAAPA, the main activities embarked upon, outcomes achieved and the business agenda for 2007.

2. BOARD OF DIRECTORS

The Board of Directors of SAAPA consists of Messrs Ndaba Ntsele (Chairman), Nico Kruger (Vice-Chairman), Allan Bishop, Len Hansen, Jimmy Manyi, Hamish McBain, Ray Stout, Mxolise Zwane with Jannie de Villiers as Executive Director. The Board held a meeting on 30 May 2006 and a strategic workshop was held on 29 September 2006 so as to reconsider the Association's focus areas and to determine how to deliver services on a broader and wider spectrum.

Directors: N A Ntsele (Chairman) G P N Kruger (Vice-Chairman)
L W Hansen M J Manyi J H McBain T Naidoo R J Stout M Zwane
Executive Director: J F de Villiers

I would also like to thank Allan Bishop for his leadership during the two years. Allan has retired from Pioneer Foods and is now succeeded by Rosh Naidoo – welcome to you Rosh!

3. MEMBERSHIP

Our membership is an impressive list of dynamic leading food companies in South Africa. They are:

African Products	Animal Feed Manufacturers Association
Astral Foods	Anchor Yeast
Foodcorp	Illovo Sugar
National Chamber of Milling	National Association of Maize Millers
Pioneer Foods	Premier Foods
Rainbow Farms	SA Breweries
S A Citrus Processors Association	Tiger Brands.

4. FINANCES

Our total income for the 2006 financial year was R1,132 million and our expenses realised at R1,052 million well within budget. The profit of R79 402 will be utilised to commence paying back the Chamber of Milling who provided the seed money to start up this Association.

We expect to repay the Chamber in full during the next 12 months with surplus funds from new members joining our Association.

5. ACTIVITIES

5.1 *Participation in forums*

SAAPA is now frequently consulted by governmental agencies to provide inputs on various programmes and policy issues affecting the agri-processing sector. It is represented on the Presidential CEO Forum for Agriculture, where Mr Jannie de Villiers has been elected as chairperson of that Forum. It is also a member of the task team responsible for the drafting of the terms of reference for the Joint Agribusiness and Department of Agriculture Forum for Africa (JADAF). Apart from being active within the Agricultural Trade Forum (ATF), SAAPA has during the past year joined membership of the Industry Trade Forum, hosted by the Department of Trade and Industry in which forum SAAPA is represented by Mr Boikanyo Mokgatle as well as the Trade Policy Committee of Business Unity South Africa. Moreover, SAAPA is indirectly represented by Mr Lambert Botha on the Governing Committee of the Southern African

Grain Arbitration Service as an accredited arbitrator for the grains and oilseeds industries.

5.2 *Assistance with formulation of government policies related to agriculture*

SAAPA is involved in the current reformulation of South Africa's agricultural trade and tariff policy providing inputs from the perspectives of the agri-processing sector. Through its participation as a member of the CEO Forum Task Team responsible for biofuels, SAAPA is providing inputs in the current debate regarding the implementation of a proposed biofuels strategy for South Africa. As a registered "directly affected group" with the National Agricultural Marketing Council (NAMC), SAAPA has been involved in the review of the mandate of the NAMC as well as the draft marketing policy document.

5.3 *Customs related assistance*

Although some members of SAAPA are still in the process of communicating their respective baskets of products to the Association, progress has been made with the identification of the list of products for which SAAPA is responsible to monitor developments in international trade.

At its strategic workshop held in September 2006, SAAPA decided, amongst other, to focus more attention on customs related matters and enforcement as well as the proposed biofuels strategy. As members become more familiar with the assistance which SAAPA can provide, they are increasingly involving the Association on issues related to customs matters. SAAPA is currently assisting some members in tariff classification applications, tariff reduction applications as well as preparing rebate and refund applications. It is foreseen that this aspect of SAAPA's support to members will grow to become a very important function while adding bottom line value to the members.

5.4 *Developments in international trade*

Although trade regulated by existing arrangements have continued unabated, it is the creation of more favourable conditions allowing for improved market access that has moved at a very slow pace.

Negotiations on a multilateral level within the WTO have been suspended largely due to an impasse between the United States and the European Communities over the reduction of farm subsidies and protection for agricultural products. Efforts are being made to revive talks between the most important role players.

The Southern African Customs Union (SACU) has succeeded in finalising the text of the proposed free trade agreement with the European Free Trade Area. However, the ratification process within SACU is keeping the Agreement from being implemented.

South Africa is now officially part of the negotiating process for the conclusion of an Economic Partnership Agreement (EPA) between certain members of the Southern African Development Community (SADC) and the European Union. An agreement must be in place by the end of the year to replace the provisions in the Cotonou Agreement dealing with trade, concluded between the European Union and the African, Caribbean and Pacific Group of countries. The EU enjoys a special waiver under the World Trade Organisation rules to discriminate in favour of these ACP countries. This waiver is about to expire by the end of the year.

Simultaneously with this process, the review of the Agreement on Trade, Co-operation and Development (TDCA) concluded between South Africa and the EU in 2000 is yet to be officially launched. A great deal of uncertainty exists about the future of the TDCA in view of the to-be-concluded EPA.

The proposed preferential trade agreement with Mercosur is almost finalised, but recent discussions on beef and dairy quotas into SACU for Uruguay and Paraguay has run into difficulties endangering the conclusion of the Agreement.

Meanwhile, negotiations with the United States on the conclusion of a proposed free trade agreement have been suspended. Instead, a general trade and investment co-operation agreement between that country and SACU is anticipated.

On a regional front, SAAPA has been closely involved in the reformulation of certain rules of origin for the Trade Protocol of the Southern African Development Community (SADC). It has also assisted South African Government representatives within SACU to formulate disciplines for better regulation of infant industry protection within the region.

5.5 *AgriBEE*

Mr Hamish McBain (past chairperson of SAAPA), represents us on the Minister of Agriculture's Black Economic Empowerment Steering Committee. They have had quite a challenge this year with the change in Minister. We are still uncertain regarding the final decision of the Minister as her proposal to the Portfolio Committee on Agriculture in Parliament deviated from the Steering Committee's recommendations.

The Codes of Good Practice were also amended and finally published earlier this year. We would like to call on our members to pay attention to this matter and to the differences between the proposed documents.

I would also like to thank Hamish for all the time and efforts invested in this process representing business.

6. THE YEAR AHEAD: 2007

We are likely to see a number of developments, both on a policy and regulatory level, taking place during 2007.

On a policy level the proposed Biofuels Strategy in its current format requires fundamental changes for the strategy to attract private sector investment and to ensure the sustainability of the proposed biofuels industry. We will have to see whether the Task Team responsible for the drafting of the Strategy will take cognisance of the comments and proposals we, together with other interest groups, have submitted.

The drafting of the trade, tariff and marketing policies for agriculture should be finalised during this year. The ensuing discussions that will emanate from this process will hopefully clarify and solidify the functions which the NAMC, the Department of Agriculture and the Department of Trade and Industry will play in trade remedy and tariff investigations conducted by the International Trade Administration Commission (ITAC).

On a regulatory level, negotiations for the conclusion of a preferential trade agreement between India and SACU are likely to commence. In view of the ongoing process towards closer integration of SADC, the review of the TDCA as well as the negotiation and conclusion of the EPA with the EU, it would be unwise to commence with additional bilateral negotiations given the shortage of capacity both in South Africa and even more so within SACU.

On a multilateral level it becomes more unlikely that substantial progress will be made before the expiry of the so-called fast track authority of President George W Bush. This authority allows the executive arm of the US Government to fast track agreements through the US Congress. This authority is due to expire towards the end of June 2007. Unless a deal is reached before that date, the table is set for negotiations to continue for many years to come.

The role of SAAPA in this trade environment is likely to refocus towards assisting members to save on the payment of duties for raw material used in the processing of the final value-added product. The scope of this assistance is likely to expand to cover capital equipment imported and used by members in the manufacturing process.

We expect our International Trade Advisor to be involved in the dispute filed by Canada against the United States of America maize subsidies at the World

Trade Organisation. The South African Government is currently considering joining the Canadians in this case. Exposure at this level would be of great assistance to our experience on these matters.

Our role in the Agricultural CEO Forum and the channel it provides to President Mbeki and Cabinet Ministers is an under-utilised avenue to promote our agenda as businesses. We need to optimise this opportunity so as to assist Government to invest at the right places to grow our economy at the predicted levels and even beyond that.

7. CONCLUSION

For a young Association, we have made substantial progress. Our decision to share existing expertise, experience and infrastructure with the Chamber of Milling has given us the jumpstart needed to make a difference right from the word go!

Thanks to the Board members for their support and assistance. I would also like to thank our Executive Director and his team for their passion with which they embraced these challenges.

NDABA NTSELE

Chairperson: S A Agricultural Processors Association

16 April 2007